Impact of Financial Inclusion Schemes on Socio-economic Conditions in North Bihar: A Critical Study

Synopsis For the Award of Ph.D Degree in Commerce

Under the Faculty of Commerce

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PAT –2021- 2022

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INTRODUCTION

Financial inclusion is defined as the availability and equality of opportunities to access financial services. It refers to a process by which individual and businesses can access appropriate,affordable and timely financial product and services. It is the delivery of financial services at affordable cost to socially deprived and low - income segments of society. Even after 75 years of independence,a large section of Indian population still remaining unbanked. This malaise has led generation of financial instability and pauperism among thelower income group who do not have access to financial products and services. However, in the resent years the government and Reserve Bank of India has been pushing the concept and idea of financial inclusion.

Financial inclusion is believed to be the game changer to achieve inclusive growth by including hitherto excluding poor people into the formal financial sector.it is an attempt toward social justice which intends to bring marginalized people into the mainstream economy. It is both, an opportunity and a challenge to financial system. Development experience evidences a strong correlation to financial access and economic growth. In the process of development, they are supplementary to each other. Financial exclusion traps poor people in the vicious circle of poverty. Financial empowerment leads to economic and social empowerment. A welldeveloped, financial system is essential for faster and broad-based economic growth it is highly important for economic development and wellbeing of people. Financial inclusion is an umbrella term that capture a number of different types of product and services. It is a multi-dimensional process that include effective measures for financial participation, financial capability and financial wellbeing.

It is an approach of economic developmentgainedsignificancebecause growth cannot be completed by excluding major portion of deprived population. Growth becomes inclusive with creation of economic opportunities, and ensuring access to them. Inclusive growth is a process of including the excluded as agent whose participation is essential in the very design of the development process and not simply as welfare targets of development program. The prime objectives of inclusive growth are reduction of poverty and inequalities existing in the economy. It uplifts the living standard of the deprived section of people the 12thfiveyears plan in India is focussing on faster, sustainable and more inclusive growth for the overall development of the nation.

Financial Inclusion is an important priority of the Government. The objective of Financial Inclusion is to extend financial services to the large hitherto un-served population of the country to unlock its growth potential.

RBI Directives and Initiatives for Financial Inclusion in India

Pradhan Mantri Jan Dhan Yojana (PMJDY):PMJDY offers unbanked persons easy access to banking services and awareness about financial products through financial literacy programs. In addition, they receive a RuPay debit card, with inbuilt accident insurance cover

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of ₹2 lakh, and access to an overdraft facility upon satisfactory operation of account or credit history of six months. PMJDY was conceived as a bold, innovativeand ambitious mission. The inclusive aspect of this is evident from the fact that 28.70 crore (66.69%) of PMJDY accounts are in rural areas and 23.87 crore (over 55.47%) PMJDY account holders are women.

Jan Dhan to Jan Suraksha: For creating a universal social security system for all Indians, especially the poor and the under-privileged the Hon'ble Prime Minister launched three Social Security Schemes in the Insurance and Pension sectors on 9th of May, 2015.

Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY): The PMJJBY is available to people in the age group of 18 to 50 years having a bank account who give their consent to join enable auto-debit. Aadhar is the primary KYC for the bank account. The life cover of ₹2 lakh is for the oneyear period stretching from 1st June to 31st May and is renewable. Risk coverage under this scheme is for ₹2 lakh in case of death of the insured, due to any reason.

REVIEW OF LITRATURE

Manyscholars have shown great interest in studying further about financial inclusion due to its role in improving socio – economic activity.The relevant literature has been reviewed to explore theoretical foundation behind financial inclusion and various aspect pertaining to it. This attempt also focuses on analysing and understanding the extent of financial inclusion throughout India,relationship between financial inclusion and poverty reduction, financial inclusion and rural development, impact of financial inclusion on socio – economic empowerment and various barriers of financial inclusion.

Kumar (2009) attempted to understand the behaviour and determinants of financial inclusion in India. The study reveals that most of the state have significant and positive relationship between the deposit and credit penetration. High credit penetration has high deposit penetration. He hasbeen gonethroughstandard econometric technique and employed for state wise panel data spanning over a period of 1995 -2008. Further it founded that there is continuous improvement of credit and depositpenetration.There is negative influence of population of population density on deposit penetration. Level of economic condition is a vital determinant of financial inclusion.

Murari &Didwania (2010)attempted to assess the impact of financial inclusion on poverty. Secondary source were explored for data collection. The study revealed that financial inclusion along with micro finance is an effective instrument for lifting the poor above the level of poverty as it provides increased self - employment opportunities and make them credit worthy.

Pokhriyal&Ghildiyal (2011)critically analysed the spread of SCBs and progress of the SHG – bank linkage program. Secondary source comprising of various issue of the banking statistic review, handbook of statistic on Indian economy, report on trends and progress of the banking in India, publication of NABARD and other published work were used to collect the data. Sum and percentage were utilized to analyse the data. Credit extension has reduced in all areas i.e.,rural semi-urban and urban except metropolitan. Goals of financial inclusion are not achieved as SCBs hesitate in operating in the rural areas and for low income-earning classes. The study also revealed widespread disparities exit among various regions in the spread and progress of banking. It showed that banking network and service have grown better in southern,

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northern and western regions and other regions where banks need to put in more concentrated efforts for eliminating the disparities.

Goel et al. (2011)aimed to show how the banking correspondent model can create financial inclusivity and help in empowering people. It is also evaluated that the impact of the BC model in India so far. RBI basic statistics return and population census, report of World Bank and Rangarajan committee report on financial inclusion were used to collect the data. The study shows that lower degree of financial inclusion is leading to higher poverty, unemployment and inequality in income distribution. The study on impact of BC model indicate lack of financial literacy among the people in the rural areas is the major hindrance in its successful implementation.

Swamy (2011) evaluated the coverage, progress and trends of financial inclusion in India. Various secondary sources such as, websites, reports of the World Bank, NABARD, RBI, National sample survey organisation and national accounts statistics of central statistical organisation were explored to collect the data. Analysis had been done using tables and graphs. The study reveals that the coverage through number of banks is not adequate for the large populationliving in rural area. He has gone through various region and collects the data and analysed. He states that large number of households are excluded from financial services.Financial inclusion among the farmer's household has so far been able to save only the large and medium farmer's and has completely neglected the marginal and small farmers.

Raman (2012) conducted a study to assess the relationship between financial inclusion and growing of Indian banking system secondary data were used and the study revealed that there is positive relationship between financial inclusion and growth of banking system, more growth of banking system leads to more of financial inclusion. The study further highlighted that financial inclusion plays a crucial in reducing poverty in the country. Additionally, it exposed that financial inclusion leads to economic growth, raising standard of living and equality, etc.

RESEARCH GAPS

The above literature proves beneficial in identifying research issues and research gapes.Financial exclusion is one of the reasons for poverty, unemployment vulnerability. Some of them are as follows

- In most of the studies there is only one aspect of financial inclusion has been studied.
- Almost all the studies have been conducted in rural areas but semi-urban and urban area have not been included.
- The role of financial inclusion in growth has not been discussed/studied.

Thus, in this study researcher will try to bridge up some of the most significant research gaps of earlier research. In this proposed study, an attempt has been made to measure the socio-economic impact of financial inclusion (Micro finance) based on certain parameters like change in income, expansion of the job opportunities, change in educational status, social status, etc. the proposed study will more comprehensive and will cover urban, semi urban and rural areas to make study that is more effective. In this proposed study the researcher will cover up the area of the four blocks of North Bihar. In addition to that, future prospects of newly declared financial scheme will also be the area of study.

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Therefore, in this current study, an effort has to study the role of financial inclusion and to find out the impact of socio- economic development ofweaker section of society as well as suggest the measures to inform the impact of the scheme.

IMPORTANCE OF study

The policy makers have been focusing on financial inclusion of India rural and semi-rural area primarily for the three most important pressing needs.

- **Creating a platform for inculcating the habit to save money-** the lower income category has been living under the constant shadow of financial duress mainly because of the absence of savings. The absence of shavings makes them a vulnerable lot. Presence of banking services and product aims to provide a critical tool to inculcate the habit to save.
- **Providing formal credit avenue**- sofarthe unbaked population has been vulnerably dependent of informal channel of credit like family, friends and moneylenders. Availability of adequate and transparent credit from formal banking channels shall allow the entrepreneurialspritsof the masses to increase output and prosperity in the countryside. A classic example of what easy and affordable availability of credit can do for the poor is the micro – finance sector**.**
- **Plug gaps and leaks in public subsidies and welfare programme-** a considerable sum of money for the poorest of poor does not actually reach them. While this money meanders through large system of government bureaucracy much of it is widely believed to leak and is unable to reach the intended parties. Governmentis therefore, pushing for direct cash transfer to beneficiaries through their bank account rather subsidizing product and making cash payments. This laudable effort is expected to reduce government subsidy bill (assist will save that part of the subsidy that is leaked) and provide relief only to the real beneficiaries. All these efforts require an efficient and affordable banking system that can reach out all.Therefore, there has been a push for financial inclusion.

OBJECTIVE OF THIS STUDY

Financial inclusionembraces all the section in the financial ambit, equitable growth in all the section leads to reduction of disparities in term of income and saving. The present study is to be undertaken with the following objectives.

- To find out factors affecting financial inclusion schemes and its present status in Bihar.
- To analysethe impact of financial inclusion schemes on socio- economic conditions in Bihar.
- The relationship between financial inclusion index (FII)and social development index (SDI) will be studied of North Bihar.
- To give suggestions to the policy measure to improve the socio – economic condition in North Bihar with the help of financial inclusion.

HYPOTHESIS

1. H0: Awareness level of people regarding financial inclusion is very low.

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H1: Awareness level of people regarding financial inclusion is very high.

2. H0:Financial Inclusion measures and socio- economic conditions of targeted society are not related.

H1: Financial Inclusion measures and socio-economic conditions of targeted society are related.

RESEARCH METHODOLOGY

The present study is concerned with exploration of socio– economic impact of financial inclusion initiatives. The nature of the study is exploratory and analytical data and information for our study would be collected from both the source.

Primary data and
Secondary data

Primary data would be collected through interview with the resident of the study area. The Government officials and executives. The interview will be made on the basis of a purposively designed questionnaire which will take care of different aspect of socio – economic impact of financial inclusion initiatives in order to quantity the qualitative aspect, the widely used like 5 pointsscale will be used.

Strongly Dissatisfied -1

Dissatisfied- 2

Neither satisfied nor Dissatisfied (Indifferent)

Satisfied – 4

Strongly satisfied – 5

The secondary data will be collected from different sources likeBook,Journal/ magazines/ periodicals,Economic dailies and Newspaper, Economic survey report, Publications of Reserve Bank of India,Indian Banker's Association's publications, Reference AnnualWebsites etc.

The collected data will be analysed by using the various statistical and mathematical tools and technique like

Ratio and proportion

Percentage

Trend analysis

Mean and Standard Deviation

Sampling Theory

Bar graph

Pie chart

Statistical work like

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- ANOVA will be used for testing the hypothesis
- Chi square test

PLANOF THE STUDY

The present study would be divided into the following five chapter.

Chapter 1. Introduction: The first chapter will be introduction. This chapter may be included briefly explanation of problem studied, objective of the study, importance of study, research methodology and briefly elaborated plan of the study etc.

Chapter 2. Financial Inclusion schemes-An Overview: Financial inclusion is a process through which people get formal banking financial services. There is wide inter – state variations found in financial inclusion in India. In this chapter a review of literature shows the present situation in India and abroad as per past studied.

Chapter3.New Initiatives for financial Inclusion: An observation: Several initiatives have been taken by both the Reserve Bank Of India, central and state government linked the excluded people to get formal banking financial services. In this chapter we will present the overview of financial inclusion schemes initiatives in Indian context.

Chapter 4. Socio-Economic impact of Financial Initiatives: An appraisal with special reference to North Bihar: Financial inclusion schemes are process through which the weaker and vulnerable section of the society within the circle of the organised financial system. In this chapter an appraisal of socio –economic impact of financial inclusion schemes initiatives on people of North Bihar will be studied.

Chapter 5. Findings and Suggestions: This chapter contains summary of the study and a number of valuable suggestions that helps the initiative measure and those who do further research.

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18.04.24